

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Morrow Analyst: Darrine Distefano Bill Number: SB 1462  
Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 05-09-2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Military Retiree Surviving Spouse Benefits Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 15, 2002.  
X STILL APPLIES.

X OTHER - See comments below.

## SUMMARY

This bill would allow a \$50 tax credit to a military retiree's surviving spouse who receives federal military survivor benefits and meets certain criteria.

## SUMMARY OF AMENDMENT

The May 9<sup>th</sup> amendments revised the definition of a qualified surviving spouse to mean a widow or widower of a military retiree who has not remarried, who is between the ages of 62 and 65, and who has adjusted gross income of \$30,000 or less. The amendments also limited the carryover provision to five years.

The amendments resolve the implementation and technical considerations discussed in the department's analysis dated February 15, 2002. The amendments raise an implementation consideration and two technical considerations that are addressed below. Also, a new revenue estimate is provided below due to the revised definition of a qualified surviving spouse. The remainder of the department's prior analysis still applies.

## POSITION

Pending.

### Summary of Suggested Amendments

Amendments have been provided to correct implementation and technical considerations.

Board Position:

|                  |                   |                      |
|------------------|-------------------|----------------------|
| <u>      </u> S  | <u>      </u> NA  | <u>      </u> NP     |
| <u>      </u> SA | <u>      </u> O   | <u>      </u> NAR    |
| <u>      </u> N  | <u>      </u> OUA | <u>  X  </u> PENDING |

Legislative Director

Date

Brian Putler

6/4/02

### **IMPLEMENTATION CONSIDERATION**

The bill defines a qualified surviving spouse as an individual who is a widow or widower. Under the federal survivor benefit programs, benefits can be paid to a surviving spouse or a former surviving spouse. Under the federal programs, each term, widow, widower, and former spouse is defined independently, since each of these individuals could be eligible. To avoid confusion, a former spouse should be included in the definition of a qualified surviving spouse. Amendment 1 is provided to revise the definition.

### **TECHNICAL CONSIDERATIONS**

The bill identifies a qualified surviving spouse as the widow or widower of a retiree who is between the ages of 62 and 65. The language as drafted could be interpreted to only include individuals whose ages are 63 and 64. If the author's intent is to include individuals who are 62 years old to also be eligible for the credit, Amendment 2 is provided to eliminate the ambiguity.

In addition, the amendment added carryover language that differs from language usually used. Normally if there is any credit excess left over, the excess can be carried over into the next tax year or, if necessary, the several succeeding tax years, until the excess is depleted. The amendment could be interpreted to allow the excess to be carried over continuously without being depleted for the next five years. Amendment 3 is provided to revise the wording

### **ECONOMIC IMPACT**

#### **Revenue Estimate**

Based on information and assumptions discussed below, potential revenue losses are projected to be very minor, on the order of \$12,000 per year beginning in 2002-3.

Any possible changes in employment, personal income, or gross state product that might result from this proposal are not taken into account.

#### **Revenue Discussion**

The number of qualified taxpayers claiming this credit and the credit amount applied against income taxes in any given year would determine the revenue impact.

According to data from the U.S. Department of Defense (DoD), nearly 34,000 California residents received federal military survivors benefits (as of September 30, 2001). Despite the bill's language, the targeted age group for this amendment is 62, 63, and 64 years of age (projected to be around 800 individuals).

Based on DoD data for tax year 1999, there were over 8.5 million taxable returns filed for California residents, of which nearly 30% were tax returns for unmarried filers with adjusted gross income not exceeding \$30,000.

Applying that percentage to 800 individuals claiming a \$50 credit results in the above revenue impact.

### **LEGISLATIVE STAFF CONTACT**

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SB 1462  
As Amended May 9, 2002

AMENDMENT 1

On page 3, line 4, strikeout "a widow or widower" and insert:  
a widow, widower, or former spouse

AMENDMENT 2

On page 3, lines 10 and 11, strikeout, "between the ages of 62 and 65 years old" and insert:  
at least 62 years of age, but has not attained age 65

AMENDMENT 3

On page 3, line 17, strikeout "five years" and insert:  
year and succeeding four years if necessary, until the credit is exhausted.